

NO. 5 RAIL CAR LEASING COMPANY

P.O. Box 218

Chicago Heights, Illinois

60411

RECEIVED

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I. C. C.  
FEE OPERATION BR.

7-227A073

August 11, 1977

AUG 15 1977

Interstate Commerce Commission  
Washington, D.C. 20025

RECORDATION NO. 8935  
Filed & Recorded Fee \$ 50  
AUG 15 1977-11 52 AM ICC Washington, D. C.

Gentlemen:

INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Commission Act, as amended, are three (3) signed copies of an Equipment Lease dated as of August 2, 1977 between No. 5 Rail Car Leasing Company, as Lessor, and William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, as Lessee.

Said Equipment Lease relates to the following described railroad rolling stock:

50 52'6" Gondola Cars bearing road numbers  
ROCK 680100 to 680149, both inclusive.

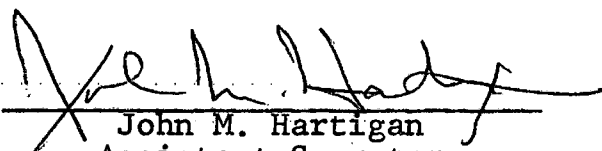
The undersigned is the assistant secretary of No. 5 Rail Car Leasing Company, an Illinois corporation, the Lessor of the above named equipment and has knowledge of the matters set forth herein.

Please return two fully stamped copies of subject document and evidence of recordation to the bearer of this letter.

Sincerely,

NO. 5 RAIL CAR LEASING COMPANY,  
an Illinois corporation.

By:

  
John M. Hartigan  
Assistant Secretary

*Handwritten signature: C. T. Kowalski*

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

**8/15/77**

**OFFICE OF THE SECRETARY**

**John M. Hartigan**  
**Assistant Sec.**  
**No.5 Rail Car Leasing Co.**  
**P.O.Box 218**  
**Chicago Heights, Illinois 60411**

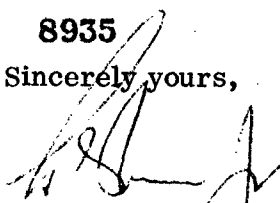
Dear

**Sir:**

The enclosed document(s) was recorded pursuant to the  
provisions of Section 20(c) of the Interstate Commerce Act,  
49 U.S.C. 20(c), on **8/15/77** at **11:55am**  
and assigned recordation number(s)

**8935**

Sincerely yours,

  
**H.G. Homme Jr.**  
**Acting Secretary**

Enclosure(s)

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EQUIPMENT LEASE

Dated as of August 2, 1977

8935

AUG 14 1977 - 155

AMERICAN RAIL CAR LEASING COMPANY

BETWEEN

NO. 5 RAIL CAR LEASING COMPANY,  
as Lessor

AND

WILLIAM M. GIBBONS, TRUSTEE OF THE PROPERTY OF  
CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY,  
as Lessee

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#### Attachments to Lease

Schedule A - Description of Equipment  
 Schedule B - Certificate of Acceptance under  
                     Equipment Lease  
 Schedule C - Schedule of Casualty Value  
 Schedule D - Warranty Agreement  
 Schedule E - Order No. 108 of U. S. District Court in Proceedings  
                     bearing No. 75B2697

THIS EQUIPMENT LEASE dated as of August 2, 1977 between NO. 5 RAIL CAR LEASING COMPANY, an Illinois corporation (the "Lessor"), and WILLIAM M. GIBBONS, TRUSTEE OF THE PROPERTY OF CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, a Delaware corporation (said William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, together with any additional successor Trustee or Trustees of such property, and upon assignment, transfer or succession to the interest therein by the reorganized debtor pursuant to Section 77 of the Federal Bankruptcy Act, such reorganized company and its successors and assigns, being hereinafter referred to as the "Lessee", and Chicago, Rock Island and Pacific Railroad Company in its individual corporate capacity being hereinafter sometimes referred to as "Rock Island Railroad");

W I T N E S S E T H:

WHEREAS, on the seventeenth day of March, 1975, Rock Island Railroad filed a Petition for Reorganization under Section 77 of the Federal Bankruptcy Act in the United States District Court for the Northern District of Illinois (the "Court") and such Petition was duly approved as properly filed by an order signed on said date by the Court (said Petition and any and all other proceedings with respect thereto filed with the Court being hereinafter called the "Reorganization Proceedings") and the Lessee was duly qualified as Trustee of the Property of Rock Island Railroad on April 4, 1975;

WHEREAS, the Lessor is purchasing from THRALL CAR MANUFACTURING COMPANY (the "Manufacturer") the items of railroad equipment (collectively the "Items" or "Equipment" and individually "Item" or "Item of Equipment") described in Schedule A attached hereto and made a part hereof, built in accordance with the specifications referred to in said Schedule A; and

WHEREAS, the Lessee desires to lease the Equipment or such lesser number as are delivered to and accepted by the Lessee hereunder at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions:

## SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to conform to the specifications therefor, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and to the Manufacturer a certificate of acceptance (hereinafter called "Certificate of Acceptance") substantially in the form attached hereto as Schedule B, whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions of this Lease.

## SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor for each Item of Equipment leased hereunder one hundred eighty (180) installments of rental ("Fixed Rental") payable in arrears in the amount set forth in Schedule A hereto. The Lessee further agrees to pay the Lessor for all Items of Equipment leased hereunder one installment of daily rental ("Interim Rental") in the amount set forth in Schedule A hereto.

2.2. Interim and Fixed Rental Payment Dates. The installments of Fixed Rental shall be due and payable commencing on the thirtieth day next following the Term Lease Commencement Date (as defined in Schedule A hereto and hereinafter referred to as the "Term Lease Commencement Date") and on the same such day of each and every calendar month thereafter to and including the same such day of the one hundred eightieth (180) calendar month following the Term Lease Commencement Date. The installment of Interim Rental shall be due and payable on the Term Lease Commencement Date.

2.3. Place of Rent Payment. All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by wire transfer of Federal funds at its address set forth in Section 21.1 hereof, or at such other place as the Lessor or its assignee pursuant to Section 16 hereof (the "Assignee") shall specify in writing.

2.4. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease, the Manufacturer or the Assignee, or otherwise, nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or loss

or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any governmental body, private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to the Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines or leaves the Lessee's lines for off-line delivery to the Lessor.

### SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Section 11 hereof, shall terminate on the earlier of (a) the date for payment of the one hundred eightieth installment of Fixed Rental provided for in Section 2.1 hereof, or (b) the date the Court finds that the Lessee is unable to transport the traffic offered him because his cash position or other facts make his continuing operation of the Rock Island Railroad impossible and orders the Lessee to discontinue service and/or liquidate the assets of the Rock Island Railroad and in such event the obligation to pay Fixed Rental accruing subsequent to the date the Lessee returns the Equipment to the Lessor in the manner contemplated by Section 13 hereof shall terminate and the Lessor shall have no claim against the estate of the Rock Island Railroad for such unaccrued rental.

The obligation of the Lessee to pay any and all sums:

(x) due and owing under this Lease, including without limitation accrued Fixed Rental, prior to the date of return of the Equipment to the Lessor as herein provided for, and;

(y) which may become due and owing subsequent to the date of return of the Equipment to the Lessor as a result of acts or omissions of the Lessee occurring prior to such date;

shall continue in full force and effect notwithstanding termination of the Lease whether pursuant to this Section 3 or otherwise.

### SECTION 4. TITLE TO THE EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment and it is understood that Lessee shall acquire no right, title or interest to the Equipment except hereunder notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.



4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased from No. 5 RAIL CAR LEASING COMPANY, as Lessor,  
and subject to a Security Interest recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of the Assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, the the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use or sublease the Equipment under this Lease.

#### SECTION 5. DISCLAIMER OF WARRANTIES.

AS BETWEEN THE LESSOR AND THE LESSEE, THE LESSOR LEASES THE EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to

time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer pursuant to the Manufacturer's Warranty Agreement, a copy of which is attached hereto as Schedule D.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor and its successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation, the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

## SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense.

## SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not change, modify or alter any Item of Equipment nor make any additions or improvements to any Item of Equipment without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

## SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of the Lease.

## SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense,

at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the advance opinion of the Lessor and any Assignee adversely affect the title, property or rights of the Lessor or such Assignee hereunder. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either make such reports in such manner as to show the interests of the Lessor and any Assignee in such Items of Equipment or notify the Lessor and such Assignee of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and such Assignee.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE, PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE.

11.1. Insurance. The Lessee agrees that it will at all times during the term of this Lease and at its own cost and expense keep each Item of Equipment insured against loss by fire, windstorm and explosion and with extended coverage and against such other risks as are customarily insured against by railroad companies at not less than the full insurable value (actual replacement value less actual physical depreciation) thereof and in any event not less than the Casualty Value of such Item of Equipment as of the next following Fixed Rental payment date, and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$29 million in the aggregate in any one year. Any such insurance may have deductible provisions to no

greater extent than \$2,000,000 in the aggregate in any one year. All such insurance shall cover both the interest of the Lessor and the Lessee in the Equipment or, as the case may be, shall protect the Lessor and the Lessee in respective risks arising out of the condition, maintenance, use, ownership and operation of the Equipment and shall provide that losses, if any, in respect to the Equipment shall be payable to the Lessee and the Lessor as their respective interests may appear; provided, however, that upon receipt by the Lessee of notice of the assignment of this Lease and the rents and other sums payable hereunder the Lessee shall cause the insurance on the Equipment to provide that the losses, if any, shall be payable (except as provided below) to the Assignee specified in such notice under a standard mortgage loss payable clause satisfactory to the Lessor and the Lessee, which shall provide that the insurer thereunder waives all rights of segregation against the Lessee, the Lessor and the Assignee, that 30 days' prior written notice of cancellation shall be given to the Assignee and that such insurance as to the interest of the Assignee therein shall not be invalidated by any act or neglect of the Lessor or the Lessee or by any foreclosure or other remedial proceedings or notices thereof relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or with respect thereto or by the use or operation of the Equipment for purposes more hazardous than is permitted by such policy. No such policy shall require co-insurance. The loss, if any, shall be adjusted only with the approval of the Lessee, the Lessor and the Assignee. All such policies shall provide that the loss, if any, thereunder shall be adjusted and paid as provided in this Lease. The Lessee shall further furnish the Lessor with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. All insurance provided for in this section shall be effective with insurance companies approved by the Lessor and the Assignee, which approval shall not be unreasonably withheld.

The proceeds of any property insurance received by the Lessor or the Assignee will be paid to the Lessor either (i) upon a written application signed by the Lessee for payment of, or to reimburse the Lessee for payment of, the costs of repairing, restoring, or replacing the Item of Equipment which has been lost, damaged or destroyed (which application shall be accompanied by satisfactory evidence of such cost and the completion of such repair, restoration or replacement) or (ii) if this Lease is terminated with respect to such Item of Equipment because of the destruction thereof promptly upon payment by the Lessee of the Casualty Value; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor hereunder, such proceeds may be applied against such liability.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Assignee in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms hereof.

11.3. Payment for Casualty Loss. When the aggregate Casualty Value (as herein defined) of Items of Equipment having suffered a Casualty Occurrence (exclusive of Items of Equipment having suffered a Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$20,000, the Lessee, on the next succeeding rental payment date, shall pay to the Lessor the rental installment due on such rental payment date for such Items of Equipment plus a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment; provided that notwithstanding the foregoing the Lessee shall on the last rental payment date of each calendar year pay to the Lessor a sum equal to the Casualty Value of any Item of Items of Equipment which have suffered a Casualty Occurrence during such calendar year or any prior year for which no payment has previously been made to the Lessor pursuant to this Section 11.3.

11.4. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment and the rental installment due on such payment date, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate

any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

11.6. Casualty Value. The "Casualty Value" of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the original cost to the Lessor of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such date of payment.

11.7. Risk of Loss. The Lessee shall bear the risk of and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and the Fixed Rental installments due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment have been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

## SECTION 12. ANNUAL REPORTS.

12.1. Financial Reports. The Lessee agrees that it will furnish to the Lessor and the Assignee the following:

(a) As soon as available and in any event within 60 days after the end of each quarterly period, except the last, of each fiscal year, a balance sheet of the Lessee as at the end of such period and a statement of income and retained income of the Lessee for the period beginning on the first day of such fiscal year and ending on the date of such balance sheet, the income statement setting forth increases and decreases from the corresponding

figures for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by the principal financial officer of the Lessee and as filed by the Lessee with the Interstate Commerce Commission (forms CBS and R E & I respectively);

(b) As soon as available and in any event within 120 days after the last day of each fiscal year, a copy of the Lessee's annual report filed with the Interstate Commerce Commission (Form R-1), including balance sheet, income statement and statement of retained income of the Lessee, which statements will have been certified by the principal financial officer of the Lessee covering the operations of the Lessee;

(c) Within the period provided in subparagraph (b) above, a certificate, signed by the principal financial officer of the Lessee, to the effect that the signer thereof has reexamined the terms and provisions of this Lease and that at the date of said certificate is not aware of any default in compliance by the Lessee with any of the covenants, terms and provisions of this Lease, or if the signer is aware of any such default, he shall disclose in such certificate the nature thereof;

(d) As soon as available, copies of such financial statements, reports and proxy statements as the Lessee shall furnish to its stockholders; and

(e) Such additional information as the Lessor or the Assignee or assignees thereof may reasonably request concerning the Lessee, in order to enable such party to determine whether the covenants, terms and provisions of the Lease have been complied with by the Lessee.

12.2. Duty of Lessee to Furnish. On or before December 1 in each year, commencing with the year 1977, the Lessee will furnish to the Lessor and the Assignee an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as Lessor or the Assignee may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.



12.3. Lessor's Inspection Rights. The Lessor and the Assignee each shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or, as the case may be, the Assignee the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90 day period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. During any such storage period the Lessee shall maintain the Items of Equipment in such manner as the Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 hereof or in Section 11 hereof and such default shall continue for five days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof; or

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written

notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) If this Lease is adopted by or on behalf of the Reorganized Company (as hereinafter defined) in connection with the Reorganization Proceedings but, in connection therewith, any term or provision of this Lease is revised, modified, amended, terminated or superseded in any respect; or

(e) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against any Reorganized Company (as hereinafter defined), and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to the obligations incurred by such a trustee or trustees within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(f) Any other proceedings shall be commenced by or against the Reorganized Company for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder), and all the obligations of the Lessee, under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Reorganized Company or for the property of the Reorganized Company in connection with any such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(g) The order of the Court entered in the Reorganization Proceedings authorizing the execution and delivery of this Lease shall be revised, modified, amended, terminated or superseded in any respect which would involve the possibility of materially and adversely affecting the rights, powers, privileges or remedies of the Lessor or the Assignee under this Lease; or

(h) Any representation or warranty made by the Lessee herein or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease proves untrue in any material respect as of the date of issuance or making thereof.

The term "Reorganized Company" as used in this Lease shall mean any corporation and its successors and assigns, including without limitation Rock Island Railroad, which holds, acquires or otherwise succeeds

to all or substantially all of the property and business of Rock Island Railroad upon adoption of a plan of reorganization with respect to Rock Island Railroad and the termination of the Reorganization Proceedings.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor, shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 5-3/4% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rental.

of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whosoever shall be at the time in possession of such Item.

#### SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and other sums due and to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. No such assignee shall be bound by or obligated to perform or see to the performance of any duty, covenant or condition or warranty (express or implied) made by the Lessor or required to be observed or performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof, acknowledges and agrees that notwithstanding such assignment each and all of such covenants and agreements of the Lessor and all representations and warranties shall survive such assignment and shall be and remain the sole liability of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or re-coupment whatsoever whether by reason of failure of or defect in Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the Assignee) in the use, operation or possession of the Equipment or any part thereof or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the Assignee, the

Lessee shall be unconditionally and absolutely obligated to pay the Assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the Assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Assignee) which by the terms of this Lease and are permitted or provided to be exercised by the Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment (except to the extent that the provisions of any Mortgage now or hereafter created on any of the liens of the railroad of the Lessee may subject such leasehold interest to the lien thereof). The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which Equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Equipment upon connecting and other railroads in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee will not assign any Item of Equipment to service including the regular operation and maintenance thereof outside the United States of America. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under

this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a surety.

SECTION 18. OPINION OF LESSEE'S COUNSEL.

Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor five counterparts of the written opinion of counsel for the Lessee addressed to the Lessor and to the Assignee, in scope and substance satisfactory to the Lessor, to the effect that:

(a) William M. Gibbons has been duly appointed and is validly acting as Trustee of the property of Rock Island Railroad, has all requisite power and authority to carry on the business of the Rock Island Railroad as now being conducted and by a specific order duly authorized, executed and delivered by the Court has received all requisite power and authority to enter into, execute and deliver this Lease;

(b) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes the valid, legal and binding agreement of the Lessee enforceable in accordance with its terms and during the continuance of the Reorganization Proceedings the obligations of the Lessee under this Lease, including without limitation the obligation to pay Fixed Rental and any other sums due and owing hereunder, constitutes an expense of administration payable on a parity with other such expenses and no other equipment obligation assumed or incurred by the Lessee or Rock Island Railroad has priority over this Lease and the rights of the Lessor and the Assignee therein and in the Equipment and subject to Section 3 hereof upon the occurrence of an Event of Default as defined in Section 14.1 of this Lease any claim for damages hereunder will constitute an expense of administration as aforesaid;

(c) This Lease has been filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and no other filing, recording or depositing is necessary to protect the Lessor's title to the Equipment in the United States of America;

(d) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of this Lease or in the event that any such approval, consent or withholding of objection is required, it has been obtained (and specifying the same);

(e) The execution and delivery by the Lessee of this Lease does not violate any provision of the Charter or By-laws of Rock Island Railroad or of any law, any order of any court or governmental agency, or any indenture, agreement, or other instrument to which the Lessee or Rock Island Railroad is a party or by which either of them, or any of their property, is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee or Rock Island Railroad, except as contemplated and permitted hereby; and

(f) As to any other matter which the Lessor shall reasonably request.

SECTION 19. LESSEE'S REPRESENTATIONS AND WARRANTIES; SURVIVAL.

19.1. Representations and Warranties. The Lessee represents and warrants that as of the date of execution hereof:

(a) William M. Gibbons has been duly appointed and is validly acting as Trustee of the property of Rock Island Railroad, has all requisite power and authority to carry on the business of the Rock Island Railroad as now being conducted and by a specific order duly authorized, executed and delivered by the Court has received all requisite power and authority to enter into, execute and deliver this Lease;

(b) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes the valid, legal and binding agreement of the Lessee enforceable in accordance with its terms and during the continuance of the Reorganization Proceedings the obligations of the Lessee under this Lease including without limitation the obligation to pay Fixed Rental and any other sums due and owing

hereunder, constitutes an expense of administration payable on a parity with other such expenses and no other equipment or other obligation assumed or incurred by the Lessee or the Rock Island Railroad has priority over this Lease and the rights of the Lessor and the Assignee therein and in the Equipment and subject to Section 3 hereof upon the occurrence of an Event of Default as defined in Section 14.1 of this Lease any claim for damages hereunder will constitute an expense of administration as aforesaid;

(c) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of this Lease or in the event that any such approval, consent or withholding of objection is required, it has been obtained (and specifying the same);

(d) Execution and delivery by the Lessee of this Lease does not violate any provision of the Charter or By-laws of Rock Island Railroad or of any law, any order of any court or governmental agency, or any indenture, agreement or other instrument to which the Lessee or Rock Island Railroad is a party or by which either of them, or any of their property, is bound and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee or Rock Island Railroad, except as contemplated and permitted hereby; and

(e) No Event of Default as defined in this Lease has occurred and is continuing and no event has occurred and is continuing which with the lapse of time or the giving of notice, or both, would constitute an Event of Default as herein defined. The Lessee is not in default in the payment of principal or interest on any indebtedness for borrowed money or in default under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been issued and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an Event of Default hereunder.



19.2. Survival. The representations and warranties contained in Section 19.1 shall survive the execution and delivery of this Lease and shall be enforceable by and shall inure to the benefit of the Lessor and the Assignee.

SECTION 20. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay an amount equal to 10% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 21. MISCELLANEOUS.

21.1. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor: No. 5 Rail Car Leasing Company  
P. O. Box 218  
Chicago Heights, Illinois 60411  
Attn: Vice President - Finance

with a copy to:  
Carroll, Connelly, Hartigan &  
Hillery  
1 North LaSalle Street  
Chicago, Illinois 60602

If to the Lessee: William M. Gibbons, Trustee of  
the Property of Chicago, Rock  
Island and Pacific Railroad  
Company  
745 South LaSalle Street  
Chicago, Illinois 60605

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

21.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to

perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the Lessor upon demand as additional rent hereunder, with interest at the rate of 10% per annum.

21.3. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

21.4. Law Governing. This Lease shall be construed in accordance with the laws of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

21.5. Limitations of Liability. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that no liability or responsibility is assumed by nor shall at any time be asserted or enforceable against any incorporator or any past, present or future subscriber to the capital stock of, the Lessor, on account of this Lease or on account of any representation, covenant, undertaking or agreement of the Lessor in this Lease contained, either expressed or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to the Equipment for satisfaction of the same.

21.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

21.7. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

21.8. Federal Income Taxes. The Lessor has assumed that it will be treated as the owner of the Items and intends to claim such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended from time to time, to an owner of property, including, without limitation, the maximum depreciation deduction with respect to the Equipment authorized under Section 167 of the Internal Revenue Code of 1954, as amended to the date of the latest acknowledgment hereof (hereinafter called the Code), utilizing, for the purpose of calculating such deduction, the lower limit for Asset Guideline Class 00.25 prescribed in accordance with Section 167(m) of the Code (such deduction being hereinafter called the ADR Deduction) and any investment credit with respect to the Purchase Price of the Items pursuant to Section 38 and related sections of the Internal Revenue Code of 1954, as amended from time to time (such credit being hereinafter called the Investment Credit), and interest expense deductions for all interest paid on the notes issued to the Assignee by the Lessor.

The Lessee agrees that neither it, nor any corporation controlled by, in control of or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing assumptions and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

The Lessee represents and warrants that (i) at the time the Lessor becomes the owner of the Items, the Items will constitute "new section 38 property" within the meaning of Section 48(b) of the Code and will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (ii) at all times during the term of this Lease, the Lessee will not do anything with respect to any Item which will cause such Item to cease to be "section 38 property" within the meaning of Section 48(a) of the Code; (iii) none of the Items will be used predominately outside the United States within the meaning of said Section 48(a) (or any exception thereto); (iv) the Lessee will maintain sufficient records to verify such use; and (v) upon request of the Lessor, the Lessee will provide written reports establishing such use.

If by reason of the inaccuracy in law or in fact of the representations and warranties set forth in the preceding paragraph or any act or omission of the Lessee, the Lessor shall lose, or shall not have, or shall lose the right to claim, or

shall suffer a disallowance of or shall be required to recapture (any such event being hereinafter called a Loss), all or any portion of the ADR Deduction or the Investment Credit with respect to all or part of any Item, then the rentals for such Item set forth in Section 2 shall, on the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact, be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, cause the Lessor's net after-tax return to equal the net return that would have been realized by the Lessor if the Lessor had been entitled to utilize all the ADR Deduction or the Investment Credit from the Closing Date relating to such Item, and the Lessee shall forthwith pay to the Lessor as additional rental an amount which after deduction of all taxes imposed with respect to such payment equals the amount of any interest and/or penalties which may be assessed by the United States of America against the Lessor attributable to the Loss of all or such portion of the ADR Deduction or the Investment Credit; provided, however, that such rental rate shall not be so increased if the Lessor shall have lost, or shall not have, or shall have lost the right to claim or shall have suffered a disallowance of, or shall have been required to recapture, all or any portion of the ADR Deduction or the Investment Credit with respect to all or part of such Item as a direct result of the occurrence of any of the following events:

(i) A Casualty Occurrence with respect to such Item, if the Lessee shall have paid to the Lessor the amounts stipulated under this Lease;

(ii) A voluntary transfer or other voluntary disposition by the Lessor of any interest in such Item or the voluntary reduction by the Lessor of its interest in the rentals from such Item under this Lease, unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) The failure of the Lessor to claim in a timely or proper manner the ADR Deduction or the Investment Credit;

(iv) The failure of the Lessor to have sufficient income or United States Federal income tax liability to benefit from the ADR Deduction or the Investment Credit.

The Lessor agrees to use its best efforts to avert a loss which would occasion an increase in the rental rates or other

costs of the Lessee as above provided in this Section 21.8. In the event the rental rates shall be adjusted as in this Section 21.8 provided, the Casualty Values set forth in Section 11 and the damages and amounts set forth in Section 14.2(b) shall be adjusted accordingly. Any such adjustment in rental rates and Casualty Values shall be effective retroactive to July 1, 1977.

No. 5 RAIL CAR LEASING COMPANY

By

Its

President

[Corporate Seal]

LESSOR

Attest:

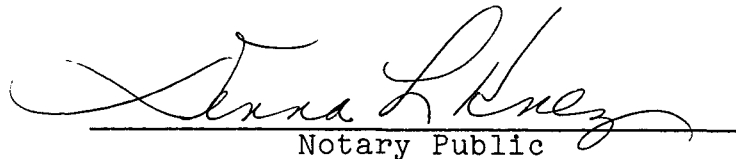
*[Signature]*  
Assistant Secretary

WILLIAM M. GIBBONS, Trustee of the  
Property of CHICAGO, ROCK ISLAND  
AND PACIFIC RAILROAD COMPANY

*[Signature]*

STATE OF ILLINOIS     )  
                              )     SS  
COUNTY OF COOK        )

On this 12th day of August, 1977, before me personally appeared R. L. Duchessais, to me personally known, who being by me duly sworn, says that he is a President of No. 5 Rail Car Leasing Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

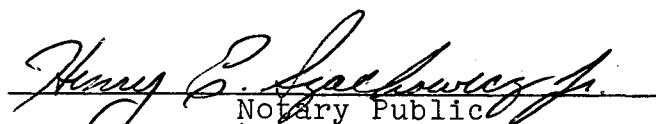
  
Notary Public

[Seal]

My Commission Expires: January 11, 1981

STATE OF ILLINOIS     )  
                              )     SS  
COUNTY OF COOK        )

On this 4th day of August, 1977, before me personally appeared WILLIAM M. GIBBONS, to me personally known, who being by me duly sworn, says that he is Trustee of the Property of CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, and that the foregoing instrument was signed by him as Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company pursuant to Order No. 108 of the United States District Court for the Northern District of Illinois in Proceedings bearing No. 75B2697, a copy of which is attached hereto as Exhibit E.

  
Notary Public  
MY COMMISSION EXPIRES APRIL 4, 1978

[Seal]

My Commission Expires:

MANUFACTURER: Thrall Car Manufacturing Company

PLANT OF MANUFACTURER: Chicago Heights, Illinois

DESCRIPTION OF EQUIPMENT: 50 52'6" Gondola Cars bearing road numbers Rock 680100 to 680149, both inclusive

SPECIFICATIONS: For Items 1-40: Thrall - GN 100-52-204; For Items 41-50: Thrall - GN 100-52-211

BASE PRICE: \$25,743 per Item (\$1,287,150 for 50 Items)

DELIVER TO: Chicago Heights, Illinois

TERM LEASE COMMENCEMENT DATE: The earlier of the date on which the 50th Item of Equipment is delivered to and accepted by the Lessee or November 30, 1977

ESTIMATED DELIVERY DATES: August - November, 1977

OUTSIDE DELIVERY DATE: November 30, 1977

FIXED RENTAL PAYMENTS: \$257.29 for each Item of Equipment for each calendar month of the 180 calendar month Lease term.

INTERIM RENTAL: \$8.46 per day for each of the first 40 Items of Equipment accepted hereunder by the Lessee (or for each of such lesser number as may be accepted hereunder, as the case may be) commencing on and including the day following acceptance of the 40th Item (or the date of acceptance of the last Item accepted hereunder if all of such Items are not accepted hereunder) to but not including the Term Lease Commencement Date. No interim rental will be payable in respect of the 41st through 50th Items (or any portion thereof) accepted hereunder.

SCHEDULE A  
(to Equipment Lease)

Lessee: William M. Gibbons, Trustee of the Property of  
Chicago, Rock Island and Pacific Railroad Company

Assignee of Lessor: Continental Illinois National Bank and  
Trust Company of Chicago, as Security  
Trustee under a Security Agreement - Trust  
Deed dated as of August 2, 1977



CERTIFICATE OF ACCEPTANCE  
UNDER EQUIPMENT LEASE

To:           No. 5 Rail Car Leasing Company ("Lessor")  
              Thrall Car Manufacturing Company ("Manufacturer")

I, a duly appointed inspector and authorized representative of William M. Gibbons, Trustee of the Property of CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY ("Lessee") and of the above named Lessor, do hereby certify that I have inspected, received, approved and accepted delivery, on behalf of the Lessee and under the Equipment Lease dated as of August 2, 1977 between the Lessor and the Lessee, and on behalf of the Lessor under the purchase order between the Manufacturer and the Lessor, of the following Items of Equipment ("Equipment"):

TYPE OF EQUIPMENT: 52'6" Gondola Car

MANUFACTURER: Thrall Car Manufacturing Company

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF ITEMS:

NUMBERED:

I do further certify that the foregoing Equipment is in good order and condition, and conforms to the Specifications applicable thereto, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"Leased from No. 5 Rail Car Leasing Company, as Lessor, and subject to a Security Interest Recorded with the I.C.C."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for warranties it has made with respect to the Equipment.

Inspector and Authorized  
Representative of Lessee and Lessor

SCHEDULE B  
(to Equipment Lease)

### SCHEDULE OF CASUALTY VALUE

The Casualty Value of an Item of Equipment payable on any rental payment date shall mean an amount equal to the per cent of total cost to the Lessor of such Item, including all taxes and delivery charges, set forth opposite such Rental Payment Date in the following schedule:

<u>Rental Payment Date on which Casualty Value is Paid (Payment in Addition to Rent Payment)</u>	<u>Percentage of Total Cost Payable As Casualty Value</u>
Interim Rental	100%
1-12	100%
13-24	100%
25-36	95%
37-48	90%
49-60	85%
61-72	80%
73-84	75%
85-96	70%
97-108	65%
109-120	55%
121-132	50%
133-144	40%
145-156	30%
157-168	20%
169-180	20%

WARRANTY AGREEMENT

THIS AGREEMENT dated as of August 2, 1977, between NO. 5 RAIL CAR LEASING COMPANY an Illinois corporation ("Vendee"), and THRALL CAR MANUFACTURING COMPANY, a Delaware corporation ("Vendor");

W I T N E S S E T H:

WHEREAS, the Vendee has agreed to purchase 50 units of railroad equipment described as 52'6" Gondola Cars; and

WHEREAS, the Vendee and Vendor desire to establish all warranties of every kind and nature, both express and implied within the confines of this document;

NOW, THEREFORE, in consideration of the premises, the Vendor and the Vendee agree that the warranty from the Vendor to the Vendee relating to the above described units of railroad equipment is as follows:

THE VENDOR GUARANTEES TO BUILD THE ABOVE DESCRIBED UNITS OF RAILROAD EQUIPMENT IN ACCORDANCE WITH THE SPECIFICATIONS ABOVE NAMED AND (EXCEPT AS TO ITEMS SPECIFIED BY VENDEE AND NOT MANUFACTURED BY VENDOR) THAT THOSE UNITS OF RAILROAD EQUIPMENT WILL BE FREE FROM DEFECT IN MATERIAL AND WORKMANSHIP UNDER NORMAL USE AND SERVICE.

VENDOR'S OBLIGATIONS UNDER THIS WARRANTY SHALL BE LIMITED TO MAKING GOOD AT ITS PLANTS ANY PART OR PARTS OF ANY UNITS OF RAILROAD EQUIPMENT WHICH SHALL WITHIN ONE YEAR AFTER DELIVERY OF ANY SUCH UNITS OF RAILROAD EQUIPMENT BE RETURNED TO THE VENDOR WITH TRANSPORTATION CHARGES PREPAID, AND WHICH THE VENDOR'S EXAMINATION SHALL DISCLOSE TO ITS SATISFACTION TO HAVE BEEN THUS DEFECTIVE.

THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES EXPRESSED OR IMPLIED, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES ON THE PART OF THE VENDOR.

SCHEDULE D  
(to Equipment Lease)

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

In the Matter of	)	
	)	
CHICAGO, ROCK ISLAND AND	)	In Proceedings for the
PACIFIC RAILROAD COMPANY,	)	Reorganization of a
	)	Railroad
	)	
Debtor.	)	No. 75 B 2697

ORDER NO. 108 ON PETITION OF TRUSTEE FOR  
AUTHORITY TO LEASE 200 PLAIN GONDOLA CARS

This cause coming on to be heard upon the Petition of William M. Gibbons, the Trustee herein, praying for the entry of an order for authority to lease for a period of 15 years 200 plain gondola cars, the detail of which is fully set forth and described in the said Petition filed herein, and due notice having been given to all parties entitled thereto; the Court having examined said Petition and being fully advised in the premises,

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1. That the proposed lease attached to the Petition as Exhibit D be and the same is hereby approved.

2. That William M. Gibbons, the Trustee herein, be and he is hereby authorized to execute and deliver substantially in the form and content of said Exhibit D an Equipment Lease and take all action as may be necessary and proper to implement same.

3. That the obligations of the Trustee undertaken by said Equipment Lease shall constitute a Trustee's cost of administration entitled to priority with all other costs of administration, except that if the Trustee shall be obligated to surrender possession of the leased equipment prior to the stipulated termination date because of any of the reasons set forth under Section 3 of said lease, in such event Lessor shall have no claim

SCHEDULE E

whatsoever against this estate or its Trustee other than for rentals or damages accrued and resulting from the operation of said equipment by the Trustee up to the date of the surrender of such possession.

4. That any right of the Lessor to take possession of the leased cars in compliance with the provisions of the said Equipment Lease shall not be affected by the provisions of Section 77 of the Bankruptcy Act.

Dated: July 29, 1977

ENTER:

/s/ Frank J. McGowan  
District Judge